



County of San Diego

DEPARTMENT OF PUBLIC WORKS County Airports

Peter Drinkwater
AIRPORTS DIRECTOR

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July 22, 2005

Mr. Mark McClardy
Manager, Airports Division AWP-600
Federal Aviation Administration
Western-Pacific Region
15000 Aviation Blvd., Room 3024
Lawndale, CA 90261

Dear Mr. McClardy:

RESPONSE TO COMPLIANCE ADVISORY UPDATE LETTER

This correspondence is written in response to your May 20, 2005, compliance advisory update letter, received by County Airports May 23, 2005. Your letter details each of the 17 items included in your March 20, 2004 compliance advisory follow-up letter, indicating that the following items have been completed: 1, 2, 3, 5, 7, 10, 14, 16. Updated information regarding the remaining items is provided below.

Termination of Non-Aeronautical Use (Item 4)

The County will confirm that unauthorized and unnecessary non-aeronautical uses of airport facilities are being terminated and will end within 12 months.

Our letter of August 23, 2005, provided a report regarding hangar inspections at Gillespie Field. Your May 20, 2005 letter requests a copy of County Airports system-wide hangar inspection report and requests confirmation that the County eliminated any unauthorized non-aeronautical uses of airport facilities.

County Airports has completed a system-wide inspection of aircraft storage hangar facilities: 799 hangars and 142 office inspections were completed. Our inspections verified that all hangars have aircraft storage as the primary use. We developed a program to continue system-wide inspections biennially. Our inspection report is provided as Attachment A.

We request the FAA consider this item complete.

Prohibit Residential Development at County Airports (Item 6)

The County will not permit any additional residential development at any San Diego County Airport. The County will take action to prevent residential dwelling units from being established on airport property, including those that are currently being negotiated.

In addition to the action County Airports has already taken to address this item, as detailed in our July 15, 2004 letter, Policies and Procedures Chapter 6, Leasing and Permits, states that residential use is prohibited. Please see response to "Item 8", below regarding the status of completing the Policies and Procedures manual. Once the Policies and Procedures have been finalized and delivered to the FAA, we request that the FAA consider this item complete.

Rules, Regulations, Policies, Procedures and Minimum Standards (Item 8)

The county will provide AWP with the new County Airport Rules and Regulations, Minimum Standards, Rates and Charges, and revised Policy and Procedures by July 30, 2004.

As stated in your letter of May 20, 2005, the FAA has completed review of Minimum Standards and "accepted the second draft without objection".

County Airports has completed the draft Policies and Procedures and the draft Rules and Regulations, incorporating FAA comments into both documents. We have contracted with Kimley-Horn and Associates to review our draft documents and provide formatting and standardization. Upon completion we will submit the documents to County Counsel and FAA for final review. We expect to provide these documents to the FAA by August 29, 2005.

Your letter reiterates that references to caretaker residences should be deleted from the revised Policies and Procedures. Please be assured that these references have been removed.

Once the FAA accepts the Policies and Procedures and the Rules and Regulations we request that you consider this item complete.

Marshall Avenue Loan Information (Item 9)

The County will provide AWP with a report from its financial consultant by July 1, 2004, detailing the Marshall Avenue project loan information, which shall include the loan amount, amounts paid to date, the interest rate on the loan, and the amortization schedule for completing payments in full.

Your May 17, 2005 letter states, "the County could not provide specific information regarding the Marshall Avenue loan." As stated in our July 15, 2004 letter, we would like to reiterate that the County could not provide this data as funds loaned for Marshall Avenue roadway improvements are not segregated from other Airport Enterprise Fund (AEF) loans

to the Redevelopment Agency. Consequently, repayment of funds loaned specifically for Marshall Avenue are not tracked separately. However, on July 15, 2004, we did provide very detailed information regarding all loans from the AEF to the Redevelopment Agency, repayment documentation and interest calculation data. Additionally, we advised that a Fiscal Consultant had been hired to determine the bonding capacity of the Gillespie Field Redevelopment Project and that their preliminary assessment for bonding to fully repay debt to the AEF was that it was a viable option. At that time we advised you that it was our understanding that the bonding process would take approximately one year to complete.

Your May 17, 2005 letter requests that County Airports provide information regarding the status of the bond application process. On February 8, 2005, the San Diego County Board of Supervisors approved issuing a request for proposal for an underwriter to provide services for the issuance of proposed tax allocation bonds by the Redevelopment Agency of the County of San Diego. A bond team, including underwriter, fiscal consultant and bond counsel has been assembled and County Airports staff is actively working with the bond team. The current target schedule for issuing bonds provided by the underwriter is as follows:

August 2005	Distribute revised draft Fiscal Consultant Report for bond team review (guiding document for the bond issue).
September 2005	Finalize Fiscal Consultant Report. Distribute draft bond disclosure documents for review.
October 2005	Request Board of Supervisors approve distribution of Official Preliminary Statement, legal documents, and execution of bond purchase agreement.
November 2005	Sell bonds.

Loan Reimbursement Deadline (Item 11)

The county will confirm the dates that the AEF will be reimbursed in full for loans made available to the County Redevelopment Agency to pay for capital improvements in the industrial and business park.

Please see response to item 9.

Reconciliation and Certification of AEF Revenue (Item 12)

The County will provide evidence for the past six fiscal years to demonstrate that revenue from the industrial and business park is being regularly deposited in the Airport Enterprise Fund and only used for permitted airport purposes. The County will include a written certification attesting that it is the County's practice to regularly deposit these revenues in the AEF.

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Your May 20, 2005 letter indicates that the County's response to this request is partially complete, as the county did not provide a statement attesting to the integrity of the AEF.

We previously provided the following responses to this request:

June 15, 2004: "Regarding your request for "a written certification attesting that it is the County's practice to regularly deposit these revenues in the AEF", we have contacted the County of San Diego Chief Financial Officer's staff requesting this documentation. They have requested that we confirm with the FAA whether or not a prescribed format or documentation form is available. If not, they have asked that a sample certification acceptable to the FAA be provided. Upon receipt they will process this request and Airports will forward the signed certification to you as soon as it is received by our office."

June 29, 2004: "In response to our June 15, 2004 request for clarification, on June 23, 2004, Tony Garcia sent us a fax indicating that the certification could be a statement similar to statements made by independent auditors where they prepare audit reports attesting to the integrity of their audit work and opinions." Enclosed for your reference is a copy of the final audited County of San Diego Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003. Pages 5 through 11 contain a signed letter dated January 12, 2004, from the County Chief Financial Officer to the County Board of Supervisors certifying the integrity of these financial statements. Page 9, paragraph 4, states "[w]e believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions."

"Mr. Garcia also asked for a complete AEF Financial Statement for the fiscal year that ended 2003. The enclosed report includes all countywide financial statements, including the AEF on pages 44, 46 and 48."

"We believe the enclosed information will satisfy Mr. Garcia's requests".

July 15, 2004 Our comprehensive response to your May 17, 2004 compliance advisory letter reiterated the above information.

The FAA Compliance Resolution Status Report spreadsheet dated August 25, 2004, indicated that the FAA was to evaluate documentation that had been submitted by County Airports related to this issue, and we have never received any additional requests for information related to this item. However, your May 20, 2005 letter indicates that the County Airports response to Item 12 is "partially complete", indicating "there may not be a

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practical way to test the integrity of the AEF other than to conduct a limited scope audit at some time in the future to test whether or not airport revenue is being reconciled in accordance with the law and the revenue use policy”.

We have made every effort to be responsive to your request. At this point we have provided all documentation that is available. The FAA is welcome now, or in the future, to conduct an AEF audit. We request that the FAA consider this item complete with regard to actions required by the County.

Airport Leasing Practices and Fair Market Value (Item 13)

The County will provide evidence to confirm that the County will follow its own Airport Leasing Practices and avoid below-FMV rental rates in all future leases.

The County has taken action to address this issue, as detailed in our July 30, 2004 letter. Your May 20, 2005 letter states “the County should update the rate setting policy in the revised Policies and Procedures”. The County rate setting policy is detailed in Policies and Procedures manual Chapter 6, Leasing and Permits, Fair Market Rental. Please see response to “Item 8” regarding the status of completing the Policies and Procedures manual. Once the Policies and Procedures have been finalized and delivered to the FAA, we request that the FAA consider this item complete.

Compliance with Part 77 (Item 16)

The County will ensure that hangar projects at McClellan-Palomar, Ramona, Borrego Valley, and Fallbrook Community Airpark are in compliance with Part 77 requirements before any construction begins.

The County has taken action to insure compliance with Part 77 requirements, as detailed in our July 15, 2004 letter. Your May 20, 2005 letter states “the County should update the rate setting policy in the revised Policies and Procedures”.

The County policy regarding compliance with Part 77 is detailed in Policies and Procedures manual Chapter 7, Airport Improvement, Construction Activities on Airport Property. Please see response to “Item 8” regarding the status of completing the Policies and Procedures manual. Once the Policies and Procedures have been finalized and delivered to the FAA, we request that the FAA consider this item complete.

Reduce Vehicle/Pedestrian Deviations (Item 17)

The County will take action to curtail and eliminate Vehicle and Pedestrian Deviations at its airports and will inform AWP and the Runway Safety Program of its remedial action plan.

In our July 15, 2004 letter, we detailed a number of actions to be taken that would curtail/eliminate vehicle and pedestrian deviations. Your May 20, 2005 letter requests the status of a number of these actions. Each of the actions noted in your letter is listed below along with implementation status.

➤ Modify the Airport Design Standards form by July 20, 2004

On July 15, 2005, County Airports advised you that we would be submitting a Modification of Design Standards form for signage depicted in international pictorial language that prohibits pedestrian and vehicular traffic from crossing runways. The Modification of Airport Design Standards form was submitted for your consideration July 22, 2004. The FAA did not approve this request. Therefore, all pictorial language signs have been removed.

➤ Circulate a runway incursion information flyer

County Airports distributed to FBO's and pilots a runway incursion information flyer in June 2004 as well as the CD provided by your office.

➤ Develop a plan for airport entry and access control gates

As requested by the FAA, County Airports researched entry and access at MYF. Staff found that the fence height and type as well as gate and lock type were the same at both airports. The main difference is, that with the exception of Palomar Airport, the County requires lessees to maintain their gates at their expense. The County finds this to be the best way to comply with the County's Policy of cost recovery while achieving maximum accountability for gate access entry.

Rules and Regulations, Chapter 2, General Provisions, Airport Entry Points, requires lessee to have positive control of gates.

Rules and Regulations Chapter 7, Motor Vehicles/Equipment, prohibits piggy backing through entry access gates.

➤ Revise the Policy and Procedures to include pedestrian and vehicle operating requirements and a driver training program.

Policies and Procedures Chapter 2, AOA Operations, AOA Access, addresses pedestrian and vehicle operating requirements. Policies and Procedures Chapter 3, SCAN Training, details the County Airports driver training program. We appreciate the positive feedback we received in Tony Garcia's email of March 7, 2005, commending the County for initiating this program.

ADDITIONAL COMPLIANCE ITEMS

In addition to the 17 items identified in your May 17, 2004 compliance advisory follow-up letter, you have identified three additional compliance issues. A response to these issues is provided below.

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Airport Enterprise Fund

Your letter states that "It appears that a loan, which was made for capital improvements to the industrial and business park, was not the best use of scarce airport revenue. If the airfield has operating and capital needs that are not being met because there is insufficient airport revenue, the FAA has serious concerns that the loans consumed airport revenue that could have been spent on aeronautical development in the County's airport system."

It is County Airports opinion that funds loaned by the AEF to the Redevelopment Agency for improvements to the Cuyamaca West Industrial / Business Park was, and continues to be, of significant value to the entire County Airport System. This investment has resulted in an ongoing revenue stream to support aeronautical needs at all County Airports, providing matching funds for CIP projects as well as funding for projects fully financed by the AEF. In FY 05/06 County Airports will receive over \$1.3 million in revenue from the Cuyamaca West leases.

Further, your letter states:

"before non-aviation income can be spent on revenue-producing land the operational and safety needs of the airport must be satisfied."

"The allocations of large sums of money to industrial and municipal purposes deprived the County airport system of revenue it could have used to operate and maintain County airports and to match FAA grants."

Since the time funds were loaned to the Redevelopment Agency, County Airports has always maintained a fund balance reserve available for safety and operational needs, and to my knowledge meeting these has always been the highest priority for County Airports.

Your letter also states, "Henceforth, the County should only use airport revenue in accordance with FAA policy. For this reason, the loans must be paid in full as soon as possible because the airport system is being made to forgo needed revenue that could be better used for the aeronautical needs of County Airports."

Please be assured that County Airports will continue to follow current practice, utilizing airport revenue in accordance with FAA policy. We have reviewed Grant Assurance #25 and cannot see where it requires a repayment timeline. However, the Redevelopment Agency is currently working to sell bonds to repay the AEF, and, if the bonding capacity exists, to secure additional funds for additional projects at Gillespie Field. Item #9 provides timeline information regarding the sale of bonds.

Our records reflect that there has been much discussion over the years regarding the AEF loan to the Redevelopment Agency. We would appreciate the opportunity to provide a comprehensive Redevelopment presentation to the FAA toward the end of September 2005 when the Redevelopment Agency is closer to issuing bonds. Please let me know if you would be interested in such a presentation.

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El Cajon Police Department Pistol Range

Your letter states that, "The County wishes to grant the City of El Cajon a below-market value rental rate and forego rental payments in exchange for police services." The County does not wish to grant a below-market rent for the property in question and Airports staff has worked diligently to develop an acceptable method for setting rent and defining services for this property that is acceptable to the FAA.

In a letter sent to the FAA, dated June 30, 2005, the County Airports restated our position regarding this matter and provided some clarification. The County also proposed an alternate plan to negotiate a new short-term agreement with the City of El Cajon Police Department. This plan would provide more flexibility for the County should it become advisable to develop the property for a higher use.

With this additional information the FAA had a better understanding of the situation, and in a letter dated July 15, 2005 stated, "We concur with the County's proposal to negotiate a new short term agreement with the City of El Cajon for the pistol range." The letter also said the FAA did not object to the County's assessment of the pistol range's rental value, although the FAA reserved the right to reevaluate it in the future.

At the FAA's suggestion, the County is also willing to develop a separate agreement regarding the in-kind services to be provided by the City of El Cajon Police Department, ensuring written documentation showing that the Police Department is aware of all the in-kind services they are committed to provide.

As requested, we will send the FAA a draft of the proposed agreement as soon as it has been negotiated and prior to being processed to the County Board of Supervisors for approval. We anticipate this process will be completed by November 1, 2005.

Department of Public Works

Your letter asks that the County substantiate that a land-use agreement with the Department of Public Works (DPW) complies with federal requirements. The storage area located in the upper portion of the industrial park next to the pistol range and depicted on Attachment B is used exclusively for County Airports maintenance items. A partial inventory of items stored in this location includes chain link fencing, erosion prevention materials, trash dumpster, equipment trailers, water tank vehicles, safety/security barricades, rock and gravel storage and surplus materials. Although some items may be labeled as Department of Public Works, please be aware the County of San Diego is organized with Airports being a section in the Transportation Division of the Department of Public Works. An organization chart is included as Attachment C for your information and clarification.

Please be assured that no equipment from other Public Works sections other than Airports is stored in this area. As such, it is not necessary to charge any rent and our use of this site

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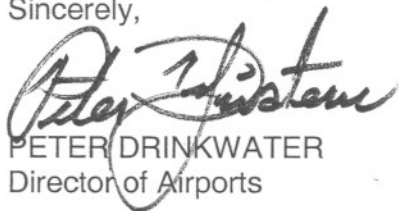
complies with federal requirements. Therefore, please note that this is not a compliance issue and should not be included on the list of outstanding issues.

UPDATED COMPLIANCE RESOLUTION STATUS REPORT

Following your review of the information included in this letter we would appreciate receiving confirmation regarding items the FAA now considers closed. Additionally, once the FAA accepts the Policies and Procedures and the Rules and Regulations we would appreciate receiving an updated copy of the Compliance Resolution Status Report the FAA is utilizing to track completion of the 17 items detailed in your March 20, 2004 compliance advisory follow-up letter.

Thank you for continuing to work with us on close out of these matters. If you have any questions please give me a call me at (619) 778-3759.

Sincerely,



PETER DRINKWATER
Director of Airports

PD:SB:jk

cc: Tony Garcia
John Milligan
Larry Watt
William Withycombe
Tom Bosworth

ATTACHMENT A

County Airports Leashold Compliance Inspection Report

Airport	Lessee	Facility Address	Total Hangar/Office	Permitted Use	Actual Use	Description/Notes	Inspection Date	Aviation	Non Av.	Compliance Approved by	Evidence of Cure
SEE	Aircraft Storage Spaces	1830A Joe Crosson Dr.	72/10	AC Storage	AC Storage	One hangar with upstairs crew quarter buildout is occupied. Lease allows for crew quarters and will be amended to remove crew quarters clause at earliest convenience.	6/24/2004 7/15/2005	81	1		
SEE	Classic Hangars	305 Kenney St.	23/0	AC Storage	AC Storage	Follow-up inspection 3/15/05	6/29/2004	23		RG/SM	
SEE	EC Flying Service	1825 N. Marshall Ave.	72/5	AC Storage	AC Storage		6/28/2004	77		RG/SM	
SEE	Gillespie Air Center	1825 N. Marshall Ave.	23/2	AC Storage	AC Storage		6/28/2004	25		RG/SM	
SEE	G Field Partners	1720 Joe Crosson Dr.	68/8	AC Storage	AC Storage		7/15/2004 6/8/2005	76		RG/SM	
SEE	Golden State Av.	1640 North Johnson Ave.	1/1	AC Storage	AC Storage		6/16/2004	2		RG/SM	
SEE	La Jolla Investments	2020 N. Marshall Ave.	19/19	AC Storage	AC Storage	17 crew quarter buildouts are occupied. Occupation of buildouts are grandfathered per FAA. Crew quarter use will terminate upon expiration of lease or sooner if possible.	8/1/2003	19	17	PD/FAA	
SEE	Royal Jet, Inc	681 Kenney St.	2/2	AC Storage	AC Storage		6/24/2004	4		RG/SM	
SEE	Safari Aviation	1905 N. Marshall Ave.	55/13	AC Storage	AC Storage	Five hangars with upstairs crew quarter buildouts are occupied. This is being investigated. Appropriate action will be taken after Counsel review.	6/25/2004 7/15/2005	63	5		
SEE	SD Aerospace Museum	335 Kenney St.	2/1	AC Storage	AC Storage		6/14/2004	3		RG/SM	
SEE	SD Aircraft, Inc	1987 N. Marshall Ave.	61/26	AC Storage	AC Storage		6/30/2004 7/18/2005	87		RG/SM	
SEE	Sky Harbor	425 Kenney Street	124/2	AC Storage	AC Storage	Follow-up inspections 2/12/05 and 7/16/05	7/1/2004	126		RG/SM	
SEE	So. CA Air Repair	1880 Joe Crosson Dr.	1/1	AC Storage	AC Storage		6/21/2004	2		RG/SM	
CRQ	PAC (Premier Jet)	2006 Palomar Airport Rd.	55/0	AC Storage	AC Storage		6/23-7/7	55		WV/SM	
CRQ	Jet Source	2056 Palomar Airport Rd.	4/22	AC Storage	AC Storage		6/24/2005	26		WV/SM	
CRQ	Western Flight	2210 Palomar Airport Rd.	2/18	AC Storage	AC Storage		6/24/2005	20		WV/SM	
CRQ	Ocean Air	2206 Palomar Airport Rd.	2/9	AC Storage	AC Storage		6/23/2005	11		WV/SM	
CRQ	Civic Helicopters	2192 Palomar Airport Rd.	1/3	AC Storage	AC Storage		6/24/2005	4		WV/SM	
CRQ	Magellan Aviation	2006 Palomar Airport Rd.	34/10	AC Storage	AC Storage		6/27/2005	44		WV/SM	
RNM	Chuck Hall Av.	Monticito Road	64/2	AC Storage	AC Storage		9/9/2004	66		WV/SM	
RNM	Cruiseair Av.	Airport Road	14/2	AC Storage	AC Storage		9/8/2004	16		WV/SM	
RNM	Pacific Exec. Av.	Monticito Road	71/1	AC Storage	AC Storage		9/8/2004	72		WV/SM	
BOR	Co. of San Diego	1820 Palm Canyon Drive	4/0	AC Storage	AC Storage		9/10/2004	4		WV/SM	
BOR	Strasbough	1820 Palm Canyon Drive	12/0	AC Storage	AC Storage		9/10/2004	12		WV/SM	
L18	FA Air Service	2141 Mission Road	6/0	AC Storage	AC Storage		9/3/2004	6		WV/SM	
L18	FA Flyers	Mission Road	26/4	AC Storage	AC Storage		9/3/2004	30		WV/SM	

Please note that with the exception of the two lessees noted above, there is no one living in hangars or offices or crew quarters. Buildouts still remain.

County of San Diego Department of Public Works Organizational Chart



John Snyder
Director
694-2233

Chandra Wallar
Assistant Director
Land Development
694-2125



Doug Isbell
County Engineer
Deputy Director
Engineering Services
694-8948



Larry Watt
Deputy Director
Transportation
874-4098



Donna Turbyfill
Deputy Director
Management Services
505-6470



Candace Gibson
Landfill Management
495-5447

Phil Giurbino
County Surveyor
694-3869

Jon Rollin
Burnsite Management
495-5445

Vacant
Private Development Review
495-5484

Watershed Protection
Cid Tesoro
694-3672
Jon Van Rhyn
495-5133

Project Management
Nael Areigat
495-5747
Barry Beech
495-5804
Ken Brazell
694-2728
Lee Shick
694-3235
Ed Sinsay
694-2486

Derek Gade
Private Development Construction Engineering
514-4673

Mohamad Fakhrriddine
Capital Projects
694-2822

Ramin Abidi
CIP Construction Engineering/Lab
694-3168

Thomas Herzberger
Field Engineering & Road Maintenance
874-4011

Michael Robinson
Traffic Operations & Loss Mitigation
874-4121

Kaye Hobson
Financial Services
694-2218

Laurie Szymanski
Personnel & Admin. Services
694-2494

Project Management
Sirous Deylamian
694-2814
Joseph Glowitz
495-5652
Michael Khoury
694-3097
Ed Mananzan
694-2817
Brendan McNabb
495-5794
Mark Perrett
694-2529
Steve Ron
694-2567

Marty Eslambolchi
Wastewater Management
694-2691

Bruce Chastain
Road Maintenance Division I
(619) 660-5808

Dave Toth
Road Maintenance Division II
(760) 510-2448

Hank Morris
County Traffic Engineer
874-4013

Bob Goralka
Transportation Planning
874-4202

Peter Drinkwater
Airports
(619) 956-4839

Wayne Williams
Recycling
874-4108

Bill Polick
Public Information Officer
495-5736

Nelson Ollvas
Environmental Services
874-4005

Carl Spiron
Safety Coordinator
694-2211

Jeff Bosvay
Special Districts
694-2201

Dimark Ines
Information Tech. Coordinator
694-2539

Note: Area code for all listed phone numbers is (858) unless otherwise noted.



Approved Date: March 30, 2005

[Signature]
John L. Snyder, Director

ATTACHMENT C